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Division of Securities

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NEWS RELEASE

June 26, 2007

Division of Securities Sanctions Broker for Abusive Mutual Fund Sales Practices
Broker sold shares in a way that caused the customer to pay higher commissions . . .

SALT LAKE CITY, Utah – Steven B. Heinz, of Orem, Utah, was ordered today to pay a $50,000 fine for improperly structuring mutual fund purchases in a client's account so that he would earn higher commissions. Heinz consented to the entry of the order by the Utah Division of Securities. The order was approved by the Securities Advisory Board.

The Division found that a woman, with little investment experience, gave Heinz $627,000 to invest for her and her elderly mother. The client expressed a desire for conservative investments, with an emphasis on safety. Some of the money was put into a fund made up of below investment-grade loans with limited liquidity. The order finds that this was an unsuitable recommendation to the client.

According to the order, the recommendations made by Heinz were not in the customer's best interests:

- Heinz had the customer sell $404,000 in mutual funds in her 401(k) account with a former employer and purchase new mutual funds through him, from which he earned commissions. He did not tell the client that she could have kept the funds in her existing 401(k) account without any penalty.
- Heinz put the client's money into 17 different mutual funds, purchasing Class B shares in 16 of those funds. Class B shares pay the highest commissions to brokers, are more costly for investors to own, and were not appropriate in light of this customer's long-term objectives.
- Heinz failed to take advantage of ways the customer could pay lower commissions by investing larger amounts in each fund and consolidating investments within fund families.

The order finds that Heinz misled the customer by showing her performance information for mutual funds that were based on the lower commission "Class A" shares, rather than the Class B shares that he actually sold, and by denying he would make any compensation on the investments he was recommending, when in fact, the customer paid $23,490 in commissions.

The Division found that Heinz misrepresented information to his client, failed to disclose important information about commissions, and engaged in dishonest and unethical practices. Heinz agreed to the entry of the order without admitting or denying the Division's findings and will pay a $50,000 fine. The Division agreed to give credit against payment of the fine for restitution that Heinz pays to the former client.